

Conservation is over-rated



VAT's the way to do it: reclaimed tax has contributed to church restoration programmes

The historic environment plays a crucial role in this country's cultural and economic well-being. It is the very backbone of the tourism industry, a major employer and the contributor of substantial revenue to the Exchequer. It is, in short, "one of our greatest national resources" – the very words used by Tessa Jowell, Secretary of State for Culture, Media and Sport, in her preface to the government's recent statement on the historic environment: *A Force for Our Future*.

We are not talking just of major 'heritage' attractions, but of a much wider resource whose fabric is maintained by hundreds of thousands of individual owners. Sadly, they can't all manage. Examples of overdue repairs, often stemming from attempts to save on the costs of care and maintenance, can be found in almost every street in the land. The resulting loss of quality, in town and countryside, hurts the economy and environment alike.

This looks like a cast iron case for encouraging refurbishment. So why, in pressing that case, are we working with one hand tied behind us? Because of an unfair anomaly in the VAT system, that's why.

Substantial alterations to listed buildings are low-rated for VAT. Much new build is at zero. And you now get the low rate of 5% for putting in energy-saving measures. Repairs and maintenance, however, are charged at the full 17.5% – adding substantially to the bill. This is a

perverse disincentive, which works against keeping buildings in good repair. (And – note to Chancellor – encourages tax evasion and the growth of a black economy where you can save on the VAT bill.) The present UK VAT rules are one of the reasons why there are 1,398 buildings and monuments in England alone on English Heritage's register of Grade I and II* Buildings at Risk.

Yet refurbishment, like Wordsworth's spring cuckoo and McGonagall's 1893, should be thrice welcome. It benefits the economy: 57% of construction work in the UK is repair and maintenance, which also provides a disproportionate amount of skilled employment. It is good for the environment, and can be much more energy efficient than new build. And well-maintained historic buildings are good for society, providing aesthetic pleasure and improving the quality of life. The liveable environment they help to create defines our cultural identity and is accessible to everyone, whatever their background.

It is crazy that you can build an extension, undertake a conversion and put in energy saving measures at the low VAT rate, but not mend the roof. This makes neither economic nor environmental sense. Can we please have some sustainability here?

Admittedly, if it's the church roof – or the church itself – that needs repairing, there is already some help at hand, by the grace of the Listed Places of Worship Grant Scheme. This concession was introduced by the government a couple of years ago as a temporary expedient, designed to repay

As Margaret Thatcher once put it, we're only here on a life tenancy, with a full repairing lease. For those with our historic heritage in their custody, **English Heritage's Anita Pollack** says, we are coming up to crunch time on the campaign for a green line through the VAT bill.

some of the VAT already collected on repairs. It has enabled, for example, the church of St John and St Mary Magdalene in Goldthorpe, Yorkshire, to reclaim £113,804 on a £1.2 million project that tackled a bad case of concrete sickness.

Recycling VAT payments like this can really help, although take-up of the church scheme has so far been fairly low. But we need to go further. *Power of Place*, the report on the historic environment review produced in December 2000 by English Heritage, advocated a harmonised 5% VAT rate for all building work. At least *Force for our Future* keeps the door open, promising to "take this recommendation into account carefully when considering future VAT treatment".

Our VAT rules are governed at EU level, so it's an EU-wide campaign for change that is needed. English Heritage is taking a leading role. Allowing the Chancellor scope to cut UK VAT on building repairs, entails rewording the discretionary part of the relevant VAT Directive. This means not just convincing the European Commission, but getting unanimity among member governments. That's a notoriously difficult trick to work, but the best opportunity presents itself now, with the Directive due for a full review in 2003. The Treasury will have to negotiate hard. So can we have a firm commitment on that, please? 🐼

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